

**Testimony of Comptroller William C. Thompson, Jr.**  
**New York State Assembly Standing Committee on Housing**  
**March 26, 2004**  
**1:00 PM**  
**(As Prepared for Delivery)**

Good afternoon, Chairman Lopez and members of the Housing Committee. Thank you for this opportunity to testify today about ways to preserve existing Mitchell-Lama units and provide incentives for developments to remain in the program.

The urgency for discussing this topic is great, as the City's need for affordable housing is dire. I will talk about briefly about the larger City-wide picture before I go to some of the findings in the report produced by my office on the Mitchell-Lama and Limited Dividends programs.

The paucity of affordable housing options for New York City families is well documented. The Federal Census Bureau reported in 2001 that New York City's population increased by more than 450,000 people since 1990, but, in contrast, during that same period, the Department of Buildings issued only 94,000 new certificates of occupancy. Clearly we are not producing enough housing to keep pace with our growing population.

The impact of increased demand and the lack of new housing production is also reflected in the November 2003 New York City Housing and Vacancy Survey (HVS) which reported a 2.94 percent City-wide vacancy rate for rental units with just 61,265 rental units available.

For vacant units with rents of \$500 to \$699 and \$700 to \$799 per month, the vacancy rate was just 1.7 percent and 2.6 percent respectively. In comparison, the HVS reported a nearly 10 percent vacancy rate for units renting for more than \$1750 per month.

The most expensive rental units in New York City represented 35 percent of the total number of available units for rent.

Given that the HVS also found that the median household income of renters is \$31,000 per year and that 22.5 percent of renter households were below federal poverty level in 2002, there is clearly a large gap between available affordable housing and the needs of New York City's families.

For example, in Sunset Park, Crown Heights, and Washington Heights more than 20% of families spend an astounding 60% of their income on housing.

In the Greenpoint/Williamsburg neighborhoods, 23% of families who rent their apartments spend more than 50% of their income on rent.

The hurdles to creating affordable housing are certainly not unique to these neighborhoods and my recent report, "Affordable No More: New York's City's Looming Crisis in Mitchell-Lama and Limited Dividend Housing," documents the fact that New York City's already tight housing market may become even more constricted.

Over the next decade the City may lose tens of thousands of units of affordable housing as developments leave the Mitchell-Lama and Limited Dividend programs.

The report dramatically illustrates how many units of affordable housing may be potentially lost each year; it also provides trend data about which neighborhoods may experience the greatest need for new affordable housing production efforts due to this loss.

This comprehensive overview demonstrates that New York City could lose more than 40,000 units of affordable housing in the next ten years if all the Mitchell-Lama developments slated to retire their subsidized mortgages opt to withdraw from the program.

Even more disturbing is that this number is based on an analysis of only 50% of the developments and 65% of the remaining units, as the Department of Housing Preservation and Development did not keep readily accessible mortgage information on all units they oversee.

Since 2000, ten developments representing more than 3,600 units left the Mitchell-Lama and Limited Dividend programs. At the time I issued my report one month ago, another eleven developments, representing more than 6,300 units, had submitted notice to leave the programs.

Since then, an additional four developments with 1,766 units also provided notice that they plan to buy out. By 2015, fifty-nine Mitchell-Lama developments will become eligible to withdraw from the program.

The combination of the booming real estate market and historically low interest rates continue to make leaving these programs a financially appealing option for these developments. This situation must be mitigated.

That is why the report recommended that the City administration take action in five areas:

1. Working with financial institutions and the City's pension funds, the City should investigate the feasibility of developing new loan programs that would provide

Mitchell Lama and Limited Dividend developments with access to long-term, low interest financing if they continue to remain in their respective program.

2. The City should coordinate a broad discussion among stakeholders and elected officials to develop legislative and administrative options that would maintain the affordability of Mitchell-Lama and Limited Dividend developments and/or increase the production of affordable housing. The resulting legislative and administrative proposal should become key components of the City's legislative agenda in Albany.

3. The City needs to develop affordable housing production goals on a neighborhood basis. With prior knowledge of which neighborhoods will likely lose Mitchell Lama and Limited Dividend developments, the City can target its incentives and resources to respond to the loss of affordable housing.

4. Working with local community organizations and elected officials, the City should develop assistance programs to help displaced Mitchell Lama or Limited Dividend families find affordable replacement housing either in their neighborhoods or in other sections of New York City.

5. The Department of City Planning is contemplating large-scale comprehensive development proposals in neighborhoods throughout the City. These unique opportunities must be maximized.

Affordable housing that will realistically meet current and future demands must be a major component in all of these plans. One strategy that should be fully evaluated by the Department of City Planning is the inclusion of provisions for affordable housing when amending zoning regulations to encourage development.

As Comptroller, I am committed to exploring ways that the management of the City's pension funds can help strengthen the city's recovery by encouraging the development of much needed housing and commercial space.

Last year, as part of our Economically Targeted Investment Program, the New York City Employees Retirement System invested 25 million dollars for the first time in the Community Preservation Corporation's Revolving Line of Credit.

The program provides construction loans for affordable housing, mixed-use and commercial properties in low-and moderate-income neighborhoods in New York City and New York State. Construction includes moderate and gut rehabilitation of buildings as well as new construction.

We also committed an additional 112.5 million dollars to finance housing development through the Community Preservation Corporation Multifamily Mortgage Program and the Public/Private Apartment Rehabilitation Program.

This initiative will provide funding for the rehabilitation or construction of approximately 2,000 apartments in the five boroughs.

In addition, we have committed another \$135 million through the AFL-CIO Housing Investment Trust and another \$550 million to commercial and residential acquisition and construction.

Overall, we have moved to dramatically increase the amount we invest in real estate. Until now, the allocation was less than one percent; that number will grow to five percent over the next several years. This could mean an investment of up to four billion dollars, or even more, in New York City real estate over the next few years.

In conclusion I will say that although New York City is in difficult fiscal times, current restraints should not stop us from designing strategies for the preservation and development of affordable housing. I encourage everyone here to review the report produced by my office and to explore some of the other recommendations we have put forth that would, if fully implemented, help meet the demand for affordable housing throughout New York City's five boroughs.

Thank you.